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No. 07-656

Supreme Court, U.S.
FILED
FEB 1 - 2008
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IN THE

Supreme Court of the United States

CONVOLVE, INC. AND
MASSACHUSETTS INSTITUTE OF TECHNOLOGY,
Petitioners,

v.

SEAGATE TECHNOLOGY, LLC,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF

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REPLY BRIEF

PRELIMINARY STATEMENT

The Federal Circuit *sua sponte* ordered *en banc* mandamus review and changed the law governing increased-damages awards under 35 U.S.C. § 284. The *en banc* decision, with its nationwide application, rewrote § 284 to deprive district courts of their statutory discretion, and it split with the other circuits by depriving district courts of discretion to determine the scope-of-waiver accompanying advice-of-counsel defenses. This Court should grant certiorari to give § 284 its proper interpretation and restore the district courts' discretion to enhance damages and define the scope-of-waiver. None of

respondent's arguments for avoiding immediate review stands in the way of reaching these important, recurring issues of nationwide significance. Because the Federal Circuit should not be the court of last resort on the important questions presented, certiorari should be granted.

I. THE IMPORTANT AND RECURRING QUESTIONS PRESENTED WARRANT IMMEDIATE REVIEW.

Each question presented in the petition was "'pressed or passed upon below.'" *United States* v. *Williams*, 504 U.S. 36, 41 (1992) (citation omitted).

- On the first question, the Federal Circuit erroneously held that its "well-established standard" for § 284 increased damages "requires a showing of willful infringement." Pet. App. 11a; Opp. 1, 10, 14 (acknowledging that the Federal Circuit "requires" willfulness to increase damages). The *en banc* concurrence supported "eliminat[ing] the grafting of willfulness onto section 284." Pet. App. 28a.
- On the second question, the Federal Circuit erroneously applied a *per se* rule foreclosing patentees who do not seek or obtain preliminary injunctions from "accru[ing] enhanced damages based solely on the infringer's post-filing conduct." *Id.*, at 22a.
- On the third question, the Federal Circuit erroneously "shield[ed] trial counsel from the waiver stemming from an advice of counsel defense to willfulness" based on post-litigation opinions. *Id.*, at 23a, 26a.

Sua sponte en banc mandamus review by an appellate court of nationwide jurisdiction, overturning

twenty-four years of precedent, judicially amending a statute, and creating special attorney-client privilege rules for patent litigation, is hardly the garden-variety "interlocutory discovery dispute[]" that respondent Seagate Technology LLC suggests. Opp. 9. Indeed, Seagate's own counsel has publicly touted (www.mwe.com) the *en banc* opinion as a "precedent-setting", "landmark decision" that "fundamentally rewrites the law of willful patent infringement."

There is an obvious, clear need for immediate, definitive guidance from this Court on a Federal Circuit *en banc* decision that is already dramatically impacting patent cases across the Nation.[1] *See Mesa* v. *California*, 489 U.S. 121, 124 (1989) (reviewing mandamus decree addressing statutory construction); *Société Nationale Industrielle Aérospatiale* v. *United States Dist. Court for S. Dist. of Iowa*, 482 U.S. 522, 527-529 (1987) (reviewing mandamus decree involving discovery orders presenting important, recurring issues); *Kerr* v. *United States Dist. Court for N. Dist. of California*, 426 U.S. 394, 395-396, 401 n.4 (1976) (same effect); *Miner* v. *Atlass*, 363 U.S. 641, 650 (1960) (affirming grant of mandamus on discovery issue of "great importance" "in a field of federal jurisdiction [admiralty] where nationwide uniformity

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[1] "[T]he [*Seagate*] standard" was controlling in *Innogenetics, N.V.* v. *Abbott Labs.*, 2008 U.S. App. LEXIS 976, at *43 (Fed. Cir. Jan. 17, 2008) (affirming JMOL of no willful infringement), and in, *inter alia*, *Se-Kure Controls, Inc.* v. *Diam USA, Inc.*, 2008 U.S. Dist. LEXIS 3988, at *4 (N.D. Ill. Jan. 17, 2008) (applying *Seagate*'s trial-counsel immunity rule); *Trading Techs. Int'l, Inc.* v. *eSpeed, Inc.*, 2008 U.S. Dist. LEXIS 295, at *4 (N.D. Ill. Jan. 3, 2008) (overturning willful infringement verdict); *Cohesive Techs., Inc.* v. *Waters Corp.*, 2007 U.S. Dist. LEXIS 69464, at **48-50 (D. Mass. Aug. 31, 2007) (denying increased damages).

has traditionally always been highly esteemed"); *American Constr. Co.* v. *Jacksonville, Tampa & Key West Ry. Co.*, 148 U.S. 372, 384, 387 (1893) (*cited* at Opp. 11-12, 18, 23) (recognizing "the power and the duty of this court" to review "novel and important" interlocutory orders).

Seagate concedes that the willfulness doctrine, raised *sua sponte* in the *en banc* order, was "immaterial" and "not germane to the [waiver] issues" presented in its mandamus petition. Opp. 8-9, 12; *see also* Opp. 5 n.7 ("In their briefing in response to the *en banc* court's order, both Seagate and Convolve agreed that the third [*en banc*] question posed by the Federal Circuit [addressing willfulness] was unnecessary to resolve" Seagate's mandamus petition).[2] The Federal Circuit, however, "reject[ed] the argument that revisiting [its] willfulness doctrine is either improper or imprudent, as Convolve contends", finding that the issue was "'antecedent to . . . and ultimately dispositive'" of the dispute before it. Pet. App. 17a-18a (*quoting Arcadia* v. *Ohio Power Co.*, 498 U.S. 73, 77 (1990)). Having thus injected its willfulness doctrine into the mandamus proceeding, the Federal Circuit then used the extraordinary writ to judicially amend § 284's increased-damages provision and to "'predetermin[e] . . . what the law shall be for the regulation of all future cases'" under that provision. *Harper* v. *Virginia Dep't of Taxation*, 509 U.S. 86, 107 (1993) (Scalia, J., concurring, citation omitted, defining "legislative act"). Contrary to Seagate's argument, improper use of an "interlocutory mandamus petition" cannot itself be grounds for

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[2] *See Cardinal Chem. Co.* v. *Morton Int'l, Inc.*, 508 U.S. 83, 88 n.9, 89 (1993) (certiorari granted where "both parties agree[d] that we should reject the Federal Circuit's practice").

creating an unreviewable decision. Opp. 12; *see also* Opp. 10, 15 (opposing certiorari on ground that the Federal Circuit decided issues "not necessary for resolution of Seagate's mandamus petition").

Seagate's separate challenge on standing grounds to the second question presented fares no better. Opp. 15-16. The Federal Circuit's *per se* rule forecloses patentees who do not seek or obtain preliminary injunctive relief from "accru[ing] enhanced damages based solely on the infringer's post-filing conduct." Pet. App. 22a. As Seagate points out, petitioner Convolve, Inc. "amended its complaint to add a . . . patent that issued during the pendency of the suit." Opp. 2. Reading the term "post-filing" to mean the original complaint, Seagate has contended in the district court that, "[b]ecause [this patent] was not added until after the original complaint was filed, Convolve's remedy for alleged willful infringement was a preliminary injunction, not enhanced patent damages," under the Federal Circuit's *per se* rule. District Court Docket No. 656, p. 3; *see* Pet. 27-28 (Seagate's construction renders the *per se* rule unconstitutional as applied). In opposing certiorari on standing grounds, Seagate fails to acknowledge its inconsistent district court position.

This Court "retains the independent power to identify and apply the proper construction of governing law." *Kamen* v. *Kemper Fin. Servs., Inc.*, 500 U.S. 90, 99 (1991). The *en banc* decision, which rests on "amendment rather than construction of the statute . . . must be rejected. . . ." *Burlington N. R.R. Co.* v. *Oklahoma Tax Comm'n*, 481 U.S. 454, 463 (1987). The fact that the decision purports to govern all § 284 increased-damages cases is reason to grant certiorari,

not deny it as Seagate paradoxically suggests. Opp. 8-11, 15-18.

II. SECTION 284'S INCREASED-DAMAGES PROVISION SHOULD BE RESTORED TO ITS PROPER CONSTRUCTION.

"'We start, as always, with the language of the statute.'" *Knight* v. *Commissioner*, 128 S. Ct. 782, 787 (2008) (citation omitted). Under § 284, "the court may increase the damages up to three times the amount found or assessed" for patent infringement. 35 U.S.C. § 284. "The word 'may' clearly connotes discretion." *Fogerty* v. *Fantasy, Inc.*, 510 U.S. 517, 533 (1994). "When the words of a statute are unambiguous, then, this first canon is also the last: 'judicial inquiry is complete.'" *Connecticut Nat'l Bank* v. *Germain*, 503 U.S. 249, 254 (1992) (*quoting Rubin* v. *United States*, 449 U.S. 424, 430 (1981)).

The Federal Circuit was "not at liberty to rewrite the statute to reflect a meaning [it] deem[ed] more desirable." *Ali* v. *Federal Bureau of Prisons*, No. 06-9130, *slip op.* at 14 (U.S. Jan. 22, 2008) (footnote omitted). The terms "willful infringement" and "punitive damages" are not found in § 284, and the statutory damages cap is the only limitation on the district court's statutory discretion. The Federal Circuit's construction of § 284 thus improperly "'depends upon the addition of words to a statutory provision which is complete as it stands.'" *CSX Transp., Inc.* v. *Georgia State Bd. of Equalization*, 128 S. Ct. 467, 474 (2007) (citation omitted).

"When Congress wished to limit an element of recovery in a patent infringement action, it said so explicitly." *GM Corp.* v. *Devex Corp.*, 461 U.S. 648, 653 (1983) (referencing 35 U.S.C. § 285's limitation

of attorney's fee awards to "exceptional cases"). Congress neither confined § 284 increased-damage awards to willful infringement (or even "exceptional cases") nor characterized the statutory multiplier as "punitive." As this Court has stated time and again: "We do not lightly assume that Congress has omitted from its adopted text requirements that it nonetheless intends to apply, and our reluctance is even greater when Congress has shown elsewhere in the same statute that it knows how to make such a requirement manifest." *Jama* v. *Immigration & Customs Enforcement*, 543 U.S. 335, 341 (2005); *accord Russello* v. *United States*, 464 U.S. 16, 23 (1983) ("'[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.'") (citation omitted).

In a futile effort to circumvent *Devex*, Seagate incorrectly equates § 284's statutory multiplier with punitive damages to argue that "the Federal Circuit's willfulness rule is entirely consistent with the punitive purpose" Seagate ascribes to the statute. Opp. 14. Statutory "[t]reble damages certainly do not equate with classic punitive damages"; rather, such statutory multipliers "have a compensatory side, serving remedial purposes in addition to punitive objectives." *Cook County, Illinois* v. *United States ex rel. Chandler*, 538 U.S. 119, 130, 132 (2003) (False Claims Act "damages multiplier has compensatory traits along with the punitive."); *see also Agency Holding Corp.* v. *Malley-Duff & Assocs., Inc.*, 483 U.S. 143, 151 (1987) ("Both RICO and the Clayton Act are designed to remedy economic injury by

providing for the recovery of treble damages, costs, and attorney's fees."). Seagate misplaces reliance on *Molzof* v. *United States*, 502 U.S. 301 (1992) (Opp. 14), a decision construing the United States' statutory immunity from liability "for punitive damages". Rejecting "a strict dichotomy between compensatory and punitive damages", *Molzof* held that "a plaintiff may be entitled to damages [from the United States] that are not legally considered 'punitive damages,' but which are for some reason above and beyond ordinary notions of compensation. . . ." *Id.*, at 306, 308.

Seagate misreads *Seymour* v. *McCormick*, 57 U.S. 480 (1853), as holding that the "purpose of enhanced damages under [a] statutory predecessor to Section 284 [in the Patent Act of 1836] is 'vindictive or punitive.'" Opp. 14. *Seymour*, which predates by 100 years the 1952 Act enacting § 284, "do[es] not hold that a finding of willfulness is necessary to support an award of enhanced damages." Pet. App. 37a (Gajarsa, J. and Newman, J., concurring, *citing*, at 36a, 40-42a, authority "explicitly recogniz[ing] a remedial aspect" to the statutory multiplier). Moreover, in the year before Justice Grier authored *Seymour*, he wrote in *Day* v. *Woodworth*, 54 U.S. 363 (1852), that the court's "power of increasing the 'actual damages'" for patent infringement applies when "the defendant has not acted in good faith, or has been stubbornly litigious, or has caused unnecessary expense and trouble to the plaintiff. . . ." *Id.*, at

372; *accord Clark* v. *Wooster*, 119 U.S. 322, 326 (1886) (same effect).[3]

Strict adherence to § 284's statutory text and respect for the discretion Congress conferred on district courts under § 284 commend review, and reversal, of the *en banc* decision. This pure question of statutory construction, which will arise and has already arisen in hosts of other patent infringement cases, makes immediate review imperative. *Cf. Youakim* v. *Miller*, 425 U.S. 231, 234 (1976) (deciding a question not pressed or passed upon below "at least to the extent of vacating the judgment below and remanding the case for consideration" of that issue).

III. WHETHER CHARACTERIZED AS SELECTIVE WAIVER OR DENIAL OF SUBJECT-MATTER WAIVER, THE *EN BANC* COURT HAS TURNED THE ATTORNEY-CLIENT PRIVILEGE INTO A WEAPON.

Nowhere does Seagate acknowledge the fact that its willfulness defense rests on legal opinions "received after suit was commenced. . . ." Pet. App. 23a. In such cases, opinion counsel assume an advocate's role that is not significantly different from the functions of trial counsel -- both are developing

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[3] Seagate incorrectly asserts that "Convolve now (for the first time) contends [that] willfulness is not *required* to recover enhanced damages under Section 284. . . ." Opp. 12 n.14. *But see* C.A. Opp. 52-54 ("Congress intended enhanced damages as an incentive to license"). Seagate also incorrectly asserts -- in conflict with *Safeco Insurance Co. of America* v. *Burr*, 127 S. Ct. 2201, 2208 (2007) (willfulness "cover[s] not only knowing violations of a standard, but reckless ones as well") -- that "'willful' requires reckless behavior." Opp. 5 n.8, 8 n.9.

defenses for use at trial and are "engaged in an adversarial process." *Id.*, at 20a; *see* ABA C.A. *Amicus* 16 ("With respect to post-litigation opinions, trial counsel will already assess and advise the accused infringer of the strength and weaknesses of its defenses. A post-litigation opinion, sought in addition to the advice of trial counsel, serves as little more than an attempted insurance policy against willfulness."); BADC C.A. *Amicus* 11 (acknowledging that "the distinction between opinion counsel and trial counsel may not be particularly significant" in post-litigation opinion cases). The *en banc* decision has the perverse effect of giving greater protection from discovery to infringers whose willfulness defenses rest on "marginal" post-litigation opinions than to those who seek counsel's advice in good faith before suit. Pet. App. 23a.

Seagate engages in semantic fallacy by first denying that the Federal Circuit laid down an "'absolute rule,'" then later acknowledging that the court "agreed that subject matter waiver stemming from the assertion of the advice of opinion counsel defense does not extend to trial counsel." Opp. 7, 23-24. Seagate's quarrel with petitioners' use of the term "selective waiver" rather than "denial of subject-matter waiver" is equally unpersuasive. *Id.*, at 9, 18-23. The Federal Circuit equates the terms when discussing waivers produced by advice-of-counsel defenses:

> . . . [S]elective waiver of the privilege may lead to the inequitable result that the waiving party could waive its privilege for favorable advice while asserting its privilege on unfavorable advice. . . . In such a case, the party uses the attorney-client privilege as both a sword and a

> shield. . . . To prevent such abuses, we recognize that when a party defends its actions by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the same subject matter.

In re EchoStar Communs. Corp., 448 F.3d 1294, 1301 (Fed. Cir.), *cert. denied*, 127 S. Ct. 846 (2006) (*see* Pet. App. 14a, 19a); *accord Glenmede Trust Co.* v. *Thompson*, 56 F.3d 476, 486 (3d Cir. 1995) ("[A] party should not be permitted to define selectively the subject matter of the advice of counsel on which it relied in order to limit the scope of the waiver. . . .").

Semantics aside, Seagate acknowledges that its advice-of-counsel defense created a subject-matter waiver. Opp. 18-20, 22. "The widely applied standard for determining the scope of a waiver of attorney-client privilege is that the waiver applies to all other communications relating to the same subject matter." *Fort James Corp.* v. *Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005), *cert denied*, 547 U.S. 1069 (2006) (*cited* at Opp. 19).[4] The district court's scope-of-waiver was properly commensurate with Seagate's reliance on post-litigation legal advice in its defense. Pet. App. 63a-68a; *accord* BADC C.A. *Amicus* 10-12; FCBA C.A. *Amicus* 4. Although the Federal Circuit correctly stated that the appropriate

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[4] *Accord In re Keeper of the Records*, 348 F.3d 16, 24 (1st Cir. 2003); *PaineWebber Group, Inc.* v. *Zinsmeyer Trusts P'ship*, 187 F.3d 988, 992 (8th Cir. 1999); *United States* v. *Collis*, 128 F.3d 313, 320 (6th Cir. 1997); *In re von Bulow*, 828 F.2d 94, 102-103 (2d Cir. 1987); *United States* v. *Jones*, 696 F.2d 1069, 1072 (4th Cir. 1982); *In re Sealed Case*, 676 F.2d 793, 818 (D.C. Cir. 1982); *Weil* v. *Investment/Indicators, Research & Mgmt., Inc.*, 647 F.2d 18, 24 (9th Cir. 1981); *United States* v. *Woodall*, 438 F.2d 1317, 1324 (5th Cir. 1970) (*en banc*).

standard of review was abuse-of-discretion (Pet. App. 9a), its opinion evaded this deferential standard by pronouncing a "new willfulness analysis" and using it to create a new privilege shielding trial counsel from subject-matter waivers. *Id.*, at 20a.[5]

Blanket trial-counsel exemption from subject-matter waivers risks judgments "predicated on incomplete, misleading, or even deliberately fabricated testimony." *Taylor* v. *Illinois*, 484 U.S. 400, 411-412 (1988) (recognizing "the broader public interest in a full and truthful disclosure of critical facts"). It creates a new trial-counsel privilege unique to patent cases, which conflicts with the other circuits' subject-matter and selective-waiver jurisprudence and with this Court's reluctance to "fashion a new privilege" that "'place[s] a potent weapon in the hands of [its proponents].'" *University of Pa.* v. *EEOC*, 493 U.S. 182, 189, 194 (1990) (citation omitted). Having successfully argued that the district court's scope-of-waiver orders "'raised an important issue of first impression'" warranting immediate mandamus review (Pet. App. 9a, citation omitted), Seagate's claim that the resulting "decision is not yet ripe for review" in this Court rings hollow. Opp. 18.

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[5] The crime-fraud/"chicanery" *exception* to attorney-client privilege, described by Seagate as an oasis of discretion left to district courts (Opp. 7, 21), is an entirely different doctrine than the advice-of-counsel defense subject-matter *waiver*. The privilege never attaches to communications "in furtherance of future illegal conduct" (*United States* v. *Zolin*, 491 U.S. 554, 556 (1989)), while waiver involves privileged communications put in issue by the privilege holder.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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